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RUEAIIA/CIA WASHDC  
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RUEKJCS/JOINT STAFF WASHDC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000323

SIPDIS

STATE FOR NEA/IR AND SCA/CEN

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SUBJECT: IRAN/TURKMENISTAN: WHAT ARE THEY THINKING? IRAN  
THREATENING TURKMENISTAN WITH A LAWSUIT

REF: ASHGABAT 284

Classified By: Charge Richard Miles, reasons 1.4 (B) AND (D).

¶1. (C) The Iranian Minister of Oil, Gholam Nowzari, announced on March 5 that Iran may sue Turkmenistan for shutting off the supply of natural gas for three months last winter. According to Iran's Press TV, which first aired the story, Nozari said that Iran had created a special committee for that purpose, and that the gas sales contract between the two sides allows either to pursue legal action if a settlement cannot be reached. The Minister added that Turkmenistan had taken the action at a particularly bad time for Iran, during a winter when it had snowed in Baghdad for the first time in 100 years, and even in Ghasr-e Shirin on the Iran-Iraq border.

¶2. (C) BACKGROUND: Iran presently imports five percent of the natural gas that it consumes from Turkmenistan. In December 2007, during the coldest winter in 30 years in the region, Turkmenistan stopped exports of natural gas to Iran for three months, citing a pipeline technical problem on the Iranian side. At the time, Turkmenistan had committed to selling eight bcm of gas to Iran at 75 USD/tcm, and the Iranians in turn accused the Turkmen of trying to use the opportunity that the cold spell presented to raise the price far beyond that which had been agreed. The exports were resumed the following February, but not before a fair amount of animosity had been created, which culminated in a series of protests in Turkmenistan by Iranian truck drivers complaining of visa requirements and poor treatment by Turkmen authorities. The Turkmen police reportedly reacted violently, and several Iranian drivers were seriously injured. After these incidents, trade between Iran and Turkmenistan plummeted. Iran was reportedly more incensed about the treatment of the truckers than the cutting-off of gas supplies. END BACKGROUND.

¶3. (C) On its face, Iran's timing of the announcement is surprising: It was made on the eve of President Berdimuhamedov's second trip to Tehran in less than a month, this time to attend the Economic Cooperation Organization (ECO) summit on March 11. It also came on the heels of Turkmenistan's recent agreement with Iran, allowing them to develop and import gas from Turkmenistan's expansive Yolatan field, a major triumph for Iran (reftel).

WHY NOW?

14. (C) According to one Ashgabat-based observer of the region, the move may signal internal differences in Iran over how the Government should approach its relationship with Turkmenistan, particularly on the part of some who resent Turkmenistan's recent efforts to assert itself as a forerunner for regional energy security issues without involving Iran. Michael Wilson, the director of EU-Tacis, who also confers regularly with Iran's Ambassador to Turkmenistan, said that the Iranians may have made the statements in order to stimulate the discussions with the Turkmen President during his visit this week. He noted that the timing of the announcement could not have been worse. (The Iranian Ambassador himself had indicated earlier to Wilson that he did not expect Iran to go through with the threatened suit.) Berdimuhamedov has further made pretty tough statements regarding Iran recently, criticizing its inability to stop Afghan opiates being transshipped through it to Turkmenistan.

15. (C) Wilson also conjectured that Russia could have something to do with the announcement and stands to benefit from further tension between Iran and Turkmenistan on energy. Iran represents a viable alternative for Turkmenistan as it continues to look for ways to diversify its gas exports. (NOTE: In a separate but related development, Russian Prime Minister Putin reportedly stated yesterday that shipping gas to Europe via the proposed Nabucco pipeline would not be feasible without Iran's participation. END NOTE.)

16. (C) COMMENT: It remains unclear what Iran would expect to

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achieve by suing Turkmenistan over last year's gas stoppage, and there has been no official reaction or statements from the Turkmen on the issue. Iran is reportedly not happy about the new price of 340 USD per tcm that it is compelled to pay for the first six months of the year. END COMMENT.  
MILES